

# Entrepreneurship. Successfully launching new ventures.

Bruce Barringer & D. Ireland. Pearson, 6<sup>th</sup> Edition, 2019.

## Items included in a Founders' (or Shareholders') Agreement

- Nature of the prospective business.
- Identity and proposed titles of the founders.
- Legal form of business ownership.
- Apportionment of stock (or division of ownership).
- Consideration paid for stock or ownership share of each of the founders (maybe cash or "sweat equity").
- Identification of any intellectual property sign over to the business by any of the founders.
- Description of how the founders will be compensated and how the profits of the business will be divided.
- Basic description of how the business will be operated and who will be responsible for what.
- Description of the outside business activities that the founders will not be allowed to engage in (e.g., you wouldn't want a founder to engage in an outside business that competes directly with your business).
- Locations for resolving disputes (many founders' agreements include a stipulation that disputes will be resolved via mediation or arbitration rather than through the courts).
- Buyback clause, which explains how our founder's shares will be disposed of if she or he dies, wants to sell, or is forced to sell by a court order.

